

**VISALIA PUBLIC CEMETERY DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2018**

**VISALIA PUBLIC CEMETERY DISTRICT**

**VISALIA, CALIFORNIA**

**JUNE 30, 2018**

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<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Geneva Philpot	Chair	January 2020
Shirley Salas	Vice Chair	January 2021
Tom Johnson	Secretary	January 2021
Tom Link	Trustee	January 2021
George Ouzounian	Trustee	January 2020

**ADMINISTRATION**

Cindy Summers

District Manager

**ORGANIZATION**

The Visalia Public Cemetery District was formed in October 1916 to provide burial spaces and interment services. The District encompasses eighty acres of actual burial land with additional expansion property owned for future cemetery development and use.

VISALIA PUBLIC CEMETERY DISTRICT

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JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Visalia Public Cemetery District  
Visalia, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of Visalia Public Cemetery District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Visalia Public Cemetery District's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

Visalia Public Cemetery District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Visalia Public Cemetery District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and, pension schedules on pages 4-9 and 33-36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018 on our consideration of Visalia Public Cemetery District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Visalia Public Cemetery District's internal control over financial reporting and compliance.

Dennis Cooper & Associates C.P.A.s

December 26, 2018

# VISALIA PUBLIC CEMETERY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

Our discussion and analysis of Visalia Public Cemetery District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position increased over the course of this year's operations.
- During the year, the District's revenue and proceeds of sales and insurance claims of \$2.8 million was \$1.1 million more than the \$1.7 million in salaries, benefits, supplies, and other expenses.
- The general fund reported an increase in fund balance this year of \$0.6 million.
- The resources available for appropriation were \$0.1 million less than budgeted for the general fund, and expenditures we above budgeted amounts.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplementary information*, which presents federal awards, state required schedules, and combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District:

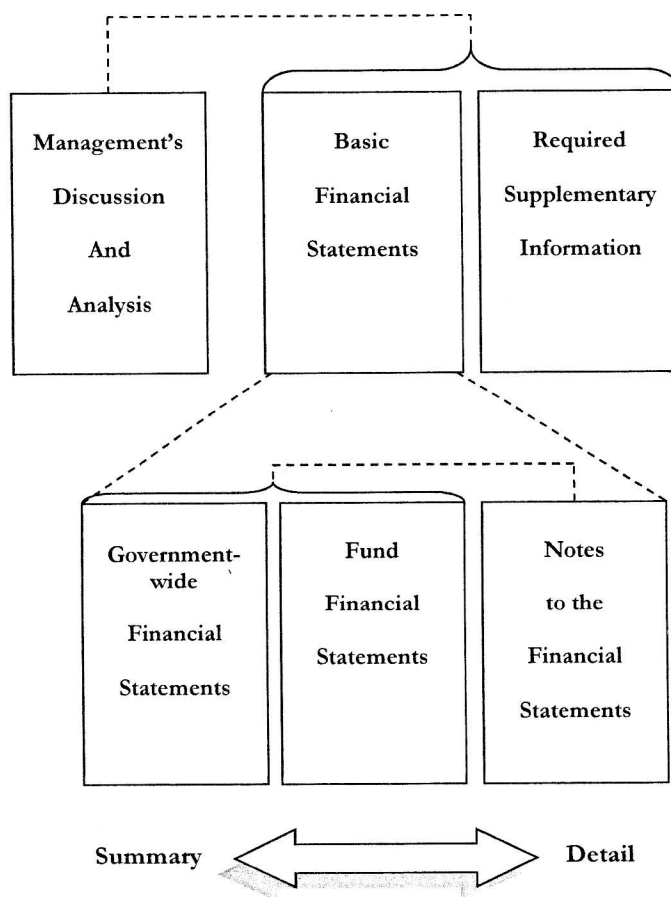
Figure A-1  
 Required Components of Visalia Public Cemetery District's Annual Financial Report

Special-purpose governments engaged in a single governmental program include cemetery districts. For such governments, it is still valuable to have both the comprehensive financial information of the governmental activities in the government-wide statements and the predominantly short-term data in the governmental funds statements. However, because there is only a single program, the format of some of the financial statements may seem awkward.

With this in mind, the accounting standards allow these kinds of governments to employ alternative forms of presentation that involve combining the government-wide and fund financial statements using a columnar format that reconciles the two kinds of financial data in a separate column on each statement.

The District has prepared a balance sheet/statement of net position and a combined statement of revenues, expenditures, and changes in fund balances/statement of activities like a fund statement format.

– The *governmental funds* statements tell how *general government* services like were financed in the *short term* as well as what remains for future spending.



The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The figure above shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with additional federal and state required information, as well as a detail of the nonmajor funds.

VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2018

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This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

**Major Features of Visalia Public Cemetery District’s Government-wide and Fund Financial Statements**

Figure A-2

**Major Features of Visalia Public Cemetery District’s Government-wide and Fund Financial Statements**

	<u>Government-wide Statements</u>	<u>Fund Statements</u> <u>Governmental Funds</u>
Scope	Entire District government	The activities of the District that are not proprietary or fiduciary
Required financial statements	<ul style="list-style-type: none"> <li>➤ Statement of net position</li> <li>➤ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Balance sheet</li> <li>➤ Statement of revenues, expenditures, and changes in fund balances</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

***Government-wide Statements***

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s *net position* and how it has changed. Net position—the difference between the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one way to measure the District’s financial health, or *position*.

Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the District’s most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.



VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2018

Some funds are required by State law and by bond covenants. The District Board establishes other funds to control and manage money for particular purposes (like the Veteran’s Wall or Pre-Need) or to show that it is properly using certain revenues and fees taxes and grants (like Veteran’s wall fees and pre-need charges). *Governmental funds*—The District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

**Financial Analysis of the District As a Whole**

**Net position.** The District’s restated net position increased between fiscal years 2017 and 2018—to almost \$10.6 million. (See Table 1.) This was attributed to mostly to cash and investment increases, with less increase to the liabilities.

**Table 1 - Net Position**

<i>(\$ amounts in thousands)</i>	<b>2018</b>	<b>Restated 2017</b>	<b>\$ Change</b>	<b>% Change</b>
Current and other assets	\$ 2,112	\$ 1,714	\$ 398	23%
Non-current assets	8,966	8,176	790	10%
<b>Total Assets</b>	11,078	9,890	1,188	12%
<b>Deferred outflows of resources</b>	192	148	44	30%
Current liabilities	45	50	(5)	-10%
Non-current liabilities	523	431	92	21%
<b>Total Liabilities</b>	568	481	87	18%
<b>Deferred inflows of resources</b>	108	70	38	54%
Net position				
Net investment in capital assets	5,690	5,644	46	1%
Restricted	2,992	2,745	247	9%
Unrestricted	1,912	1,098	814	74%
<b>Total Net Position</b>	\$ 10,594	\$ 9,487	\$ 1,107	12%

## VISALIA PUBLIC CEMETERY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2018

**Changes in net position.** The District's total revenues (excluding special items) decreased by one percent to \$1.5 million. (See Table 2.) Most of the District's revenue comes from charges for services, and about twelve percent comes from some type of tax. The rest, comes from investment income (rent, interest, and dividends), and some miscellaneous revenue. Increases in expenses are mostly attributed to increase in pension costs.

**Table 2 - Changes in Net Position**

(\$ amounts in thousands)	2018	Restated 2017	\$ Change	% Change
Program revenue	\$ 1,219	\$ 1,255	\$ (36)	-3%
General revenue	272	255	17	7%
<b>Total Revenue</b>	1,491	1,510	(19)	-1%
Salaries and benefits	611	382	229	60%
Supplies and services	954	1,027	(73)	-7%
Other charges	158	201	(43)	-21%
<b>Total Expenses</b>	1,723	1,610	113	7%
<b>Deficiency before special items and transfers</b>	(232)	(100)	(132)	132%
Special items	1,339	-	1,339	n/a
<b>Increase/(Decrease) in net position</b>	\$ 1,107	\$ (100)	\$ 1,207	-1207%

#### Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported a *combined* fund balance of \$5.3 million. Included in this year's total change in fund balance, however, is the insurance recovery. The primary reasons for the general fund's losses mirror those highlighted in the analysis of governmental activities.

#### General Fund Budgetary Highlights

The income and expense budget that was formulated to begin July 2017 was based on information history of less than one full year of accurate income and expense, post embezzlement discovery. Income increased about 20% per burial as a result of the cessation of the embezzlement. Expenses increased and are expected to remain higher due to preventative maintenance, upkeep, repairs and updating of facilities, grounds and equipment. We also reinstated some employee benefits and revised the salary schedule. The Board clearly identified the street boundaries of the cemetery and 2 properties outside those boundaries were sold. The insurance reimbursement for the embezzlement was paid and has been distributed in the affected funds. All appropriate inter-fund transfers are being made on a routine basis, with the exception of the preneed to general funds when the preneed becomes at-need. The balance in the preneed fund is less than the liability and the manger and the board have agreed to not transfer funds out until the balance and the liability amounts are the same.

VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2018

Capital Asset and Debt Administration

*Capital Assets*

The District restated the 2017 capital asset balance to clear out old balances of items no longer in service or improperly capitalized in the first place, going back to the mid-1980s. The 2017/18 balance had invested \$7.9 million in land, buildings and improvements, as well as various equipment. (See Table 3.) The changes include purchases of gator lawnmowers, some rental sales, and depreciation.

**Table 3 - Capital Assets**

<i>(\$ amounts in thousands)</i>	2018	Restated 2017	\$ Change	% Change
Land	\$ 2,297	\$ 2,259	\$ 38	2%
Buildings and improvements	5,137	5,217	(80)	-2%
Equipment	468	281	187	67%
Less accumulated depreciation	(2,212)	(2,113)	(99)	5%
<b>Total</b>	<b>\$ 5,690</b>	<b>\$ 5,644</b>	<b>\$ 46</b>	<b>1%</b>

The District’s fiscal year 2019 capital budget has no increase in spending. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements.

*Long-Term Debt*

At year-end the District had over \$0.5 million in pension liabilities and vacation accrual, an increase of twenty-one percent over last year—as shown in Table 4. More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.

**Table 4 - Long-Term Liabilities**

<i>(\$ amounts in thousands)</i>	2018	2017	\$ Change	% Change
Vacation accrual	\$ 30	\$ 12	\$ 18	150%
NPL	493	419	74	18%
<b>Total</b>	<b>\$ 523</b>	<b>\$ 431</b>	<b>\$ 92</b>	<b>21%</b>

**Economic Factors and Next Year’s Budgets and Rates**

2019 budget was prepared to address only ongoing monthly and reoccurring activities. Capital spending will be addressed as it is needed as special projects and those dollar amounts will be outside the annual budget.

The ten year average of burials per year is 466 and ash to full body burials has been holding steady at a 30 to 70 split for the last 5 years. Average income per burial is \$2,800. We based next year's budget on 450 burials. We expect to continue and complete most of the deferred maintenance. We are repairing old equipment and replacing as needed. Tax revenue is expected to remain about the same. The manager and board focus for the next 1 to 2 years will continue to be completion of deferred maintenance, updating or equipment and processes to get to a point of maintaining the cemetery in a good, efficient and up to date working order.

**Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Visalia Public Cemetery District, 1300 West Goshen Avenue, Visalia, CA 93291.

VISALIA PUBLIC CEMETERY DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION  
 JUNE 30, 2018

	General Fund	Pre-Need Fund	Veteran's Wall Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 878,258	\$ 206,066	\$ 25,146
Accrued receivables	11,528	29,366	-
Internal balances	(17,731)	5,883	300
Investments	144,989	460,292	-
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
<b>Total Assets</b>	<b>1,017,044</b>	<b>701,607</b>	<b>25,446</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,017,044</b>	<b>\$ 701,607</b>	<b>\$ 25,446</b>
<b>LIABILITIES</b>			
Accrued payables	\$ 45,229	\$ -	\$ -
Long-term liabilities, non-current	-	-	-
<b>Total Liabilities</b>	<b>45,229</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
<b>FUND BALANCE / NET POSITION</b>			
<b>Fund Balance</b>			
Non-spendable	300	-	-
Committed	633,295	-	-
Assigned	82,300	701,607	25,446
Unassigned	255,920	-	-
<b>Net Position</b>			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
<b>Total Fund Balance / Net Position</b>	<b>971,815</b>	<b>701,607</b>	<b>25,446</b>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCE / NET POSITION</b>	<b>\$ 1,017,044</b>	<b>\$ 701,607</b>	<b>\$ 25,446</b>

The accompanying notes are an integral part of these financial statements

Endowment Care Fund	Total Governmental Funds	Adjustments (Note 2-A.)	Statement of Net Position
\$ 961,923	\$ 2,071,393	\$ -	\$ 2,071,393
-	40,894	-	40,894
11,548	-	-	-
2,670,540	3,275,821	-	3,275,821
-	-	2,297,352	2,297,352
-	-	3,393,110	3,393,110
3,644,011	5,388,108	5,690,462	11,078,570
-	-	192,000	192,000
\$ 3,644,011	\$ 5,388,108	\$ 5,882,462	\$ 11,270,570
\$ -	\$ 45,229	\$ -	\$ 45,229
-	-	523,000	523,000
-	45,229	523,000	568,229
-	-	108,000	108,000
2,991,643	2,991,943	(2,991,943)	-
-	633,295	(633,295)	-
652,368	1,461,721	(1,461,721)	-
-	255,920	(255,920)	-
-	-	5,690,462	5,690,462
-	-	2,991,643	2,991,643
-	-	1,912,236	1,912,236
3,644,011	5,342,879	5,251,462	10,594,341
\$ 3,644,011	\$ 5,388,108	\$ 5,882,462	\$ 11,270,570

VISALIA PUBLIC CEMETERY DISTRICT

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE/STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Pre-Need Fund	Veteran's Wall Fund
<b>REVENUE</b>			
Program Revenue:			
Charges for services	\$ 908,105	\$ 10,175	\$ -
Operating grants and contributions	99,995	-	9,251
Property taxes, general purpose	153,707	-	-
Revenue from use of money	40,637	10,373	-
<b>Total Revenue</b>	<b>1,202,444</b>	<b>20,548</b>	<b>9,251</b>
<b>EXPENDITURES / EXPENSES</b>			
Current:			
Salaries and wages	309,279	-	-
Benefits	215,602	-	-
Supplies	134,497	-	-
Services	820,241	-	-
Depreciation	-	-	-
Capital Outlay	341,181	-	-
<b>Total Expenditures / Expenses</b>	<b>1,820,800</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenue over Expenditures/Expenses</b>	<b>(618,356)</b>	<b>20,548</b>	<b>9,251</b>
<b>OTHER FINANCING SOURCES/USES</b>			
Proceeds from sale of properties	203,996	-	-
Special items, insurance recoveries	1,063,603	41,779	-
<b>Total Financing Sources/Uses</b>	<b>1,267,599</b>	<b>41,779</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE / NET POSITION</b>	<b>649,243</b>	<b>62,327</b>	<b>9,251</b>
<b>Fund Balance / Net Position - Beginning (Restated)</b>	<b>322,572</b>	<b>639,280</b>	<b>16,195</b>
<b>Fund Balance / Net Position - Ending</b>	<b>\$ 971,815</b>	<b>\$ 701,607</b>	<b>\$ 25,446</b>

The accompanying notes are an integral part of these financial statements

Endowment Care Fund	Total Governmental Funds	Adjustments (Note 2-B.)	Statement of Activities
\$ 191,617	\$ 1,109,897	\$ -	\$ 1,109,897
-	109,246	-	109,246
-	153,707	-	153,707
67,506	118,516	-	118,516
259,123	1,491,366	-	1,491,366
-	309,279	18,000	327,279
-	215,602	68,000	283,602
-	134,497	-	134,497
-	820,241	-	820,241
-	-	157,841	157,841
-	341,181	(341,181)	-
-	1,820,800	(97,340)	1,723,460
259,123	(329,434)	97,340	(232,094)
-	203,996	(137,278)	66,718
167,114	1,272,496	-	1,272,496
167,114	1,476,492	(137,278)	1,339,214
426,237	1,147,058	(39,938)	1,107,120
3,217,774	4,195,821	5,291,400	9,487,221
\$ 3,644,011	\$ 5,342,879	\$ 5,251,462	\$ 10,594,341

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1 - A. Financial Reporting Entity**

The Visalia Public Cemetery District (“the District”) is a public cemetery formed in October of 1916 under Health and Safety Code § 9010. There is a five-person board of trustees (appointed by the Tulare County Board of Supervisors), which serves as the governance to the District.

**1 - B. Other Related Entities**

**Joint Powers Authority (“JPA”).** The District is associated with one JPA. This organization does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 11 to the financial statements. This organization is:

- ❖ Golden State Risk Management Authority (“GSRMA”)

**1 - C. Basis of Presentation**

**Government-wide Statements.** The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the cemetery and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Combined Fund and Government-Wide Statements.** Governments engaged in a single governmental program may combine their fund financial statements with their government-wide statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

The District presents the combined governmental fund balance sheet/statement of net position, and combined statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities. The explanations for the reconciliation items in the “Adjustments” column are not provided on the face of the statement, but instead are disclosed in the notes. The District realigns the statement of activities to be compatible with the fund financial statement format.

**Major Governmental Funds**

**General Fund.** This is the District’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in other funds.

**Pre-Need Fund.** This fund is a special revenue fund, which accounts for the receipt of the District’s pre-need revenues, a substantial portion of which are assigned for use to at-need services.

**The Veteran’s Wall Fund.** This fund is a capital projects fund, which accounts for revenue from having a veteran’s name placed on the Veteran’s Wall. The financial resources are to be used for the maintenance and possible expansion of the Veteran’s Wall.



# VISALIA PUBLIC CEMETERY DISTRICT

## NOTES TOT THE FINANCIAL STATEMENTS, Continued JUNE 30, 2018

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**Endowment Care Fund.** Per Health and Safety Code §9065, the board of trustees shall create an endowment care fund, and require a payment into the endowment care fund for each interment right sold. The board of trustees shall not spend the principal of the fund. The board of trustees shall cause the income from the fund to be deposited in an endowment income fund and spent solely for the care of the cemeteries owned by the District.

### **1 - D. Basis of Accounting – Measurement Focus**

**Government-wide Financial Statements.** The government-wide and financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

### **1 - E. Assets, Liabilities, and Net Position**

**Fair Value.** The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's recurring fair value measurements as of June 30, 2018, are for the District's portfolio of \$3,973,205, which is valued using quoted market prices (Level 1 inputs)

**Acquisition Value.** The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

### **Accrued Receivables**

All trade and property tax receivables are shown as being fully collectible. The District considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
JUNE 30, 2018

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**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Building and improvements	20 – 40
Equipment	7 – 10

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Accrued Liabilities**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, compensated absence balance that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employee Retirement System ("Cal PERS") and additions to/deductions from Cal PERS' fiduciary net position have been determined on the same basis as they are reported by Cal PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Balances**

The fund balance for governmental funds is reported in classifications based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

*Nonspendable.* The resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include Endowment Care corpus, inventories, and prepaid assets.

*Restricted.* The constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

# VISALIA PUBLIC CEMETERY DISTRICT

## NOTES TOT THE FINANCIAL STATEMENTS, Continued JUNE 30, 2018

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*Committed.* The District's highest decision-making level of authority rests with the Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

*Assigned.* Resources that are constrained by the government's intent to use them for a specific purpose but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the County for any purpose. When expenditures are incurred and both restricted and unrestricted resources are available, it is the County's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

### **1 - F. Revenue and Expenditures/Expenses**

#### **Revenues – Exchange Transactions (Program Revenue).**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

#### **Property Tax Calendar**

Property taxes are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. Secured property taxes are levied on or before the first business day of September of each year, and become a lien on real property on March 1 proceeding the fiscal year for which taxes are levied.

The first installment of secured taxes is due and payable November 1, 2016 and becomes delinquent December 12, 2016 at 5:00 p.m. The second installment is due and payable on February 1, 2017 and becomes delinquent on April 10, 2017 at 5:00 p.m. Unsecured taxes are due and payable on January 1, 2016 and become delinquent on August 31, 2016 at 5:00 p.m.

The County of Tulare bills and collects the taxes on behalf of the District. The District recognizes property tax revenues actually received as reported by the Tulare County Auditor-Controller.

#### **Expenses/Expenditures.**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

# VISALIA PUBLIC CEMETERY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2018

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### Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. The value of accumulated sick leave is recognized as a liability in the District's financial statements, and credit for unused sick leave is applicable to all employees who retire. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Budgetary Data

Per Health and Safety Code §9070(a), on or before August 30 of each year, the board of trustees shall adopt a final budget, which shall conform to the accounting and budgeting procedures for special districts contained in Subchapter 3 (commencing with § 1031.1) of, and Article 1 (commencing with § 1121) of Subchapter 4 of Division 2 of Title 2 of the California Code of Regulations. The board of trustees may divide the annual budget into categories, including, but not limited to maintenance and operation, employee compensation, interest and redemption for indebtedness, restricted reserves for the following categories, endowment income fund, capital outlay, pre-need, contingencies. And unallocated general reserve.

The board of trustees shall forward a copy of the final budget to the auditor of each county in which the district is located.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

### 1 - G. New Accounting Pronouncements

The Governmental Accounting Standards Board ("GASB") has issued the following standards:

- ❖ GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 85, *Omnibus 2017*. The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after December 15, 2019.

For specific details about the standards, please see [www.gasb.org](http://www.gasb.org).

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2018

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**NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS**

**2 - A. Governmental Funds Balance Sheet and Statement of Net Position**

**Total Fund Balance - Governmental Funds** \$ 5,342,879

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets relating to governmental activities, at historical cost:	\$ 7,902,669	
Accumulated depreciation:	<u>(2,212,207)</u>	5,690,462

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net Pension Liability (Asset)	493,000	
Compensated absences payable	<u>30,000</u>	(523,000)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	192,000
Deferred inflows of resources relating to pensions	<u>(108,000)</u>

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**Total Net Position - Governmental Activities:** **\$ 10,594,341**

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VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
JUNE 30, 2018

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2 - B. Governmental Funds Operating Statements and the Statement of Activities

Net Changes in Fund Balances - Total Governmental Funds \$ 1,147,058

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 341,181	
Depreciation expense:	<u>(157,841)</u>	183,340

Gain or loss from disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(137,278)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(18,000)

Pensions:

In government funds, pension costs are recognized when employer contributions are made. in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(68,000)

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**Change in Net Position of Governmental Activities:** \$ 1,107,120

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VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS

3 - A. Summary of Deposit and Investment Balances

	<b>Governmental Activities</b>
Cash on hand	\$ 300
Deposits in financial institutions	1,373,709
Mutual funds	697,384
<b>Total Cash and Cash Equivalents</b>	<b>\$ 2,071,393</b>
<b>Investments</b>	<b>\$ 3,275,821</b>

3 - B. Policies and Practices

Allowable investment instruments per Government Code §§ 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8, and 53638.

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations— CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper— Pooled Funds	270 days	40% of the agency's money	Highest letter and number rating by an NRSROH
Commercial Paper— Non-Pooled Funds	270 days	25% of the agency's money	Highest letter and number rating by an NRSROH
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	"A" rating category or its equivalent or better
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" rating category or its equivalent or better R
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	"AA" rating category or its equivalent or better

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2018

3 - C. Cash Deposits

*Custodial Credit Risk.* There is a risk that, in the event of a bank failure, the District’s deposits may not be returned. The District’s deposit policy requires that all deposits are covered by the Federal Depository Insurance Corporation (“FDIC”) or are collateralized as required by Statutes of the State. As of June 30, 2018, the carrying amount of the District’s bank deposits was \$1,373,709, and the respective bank balances totaled \$1,436,758. Of the total bank balance, \$500,000 was insured through the FDIC. The remaining \$936,785 was collateralized with pooled securities held by the financial institutions’ trust departments.

3 - D. Investments

Portfolio	Moody's Rating	%	Fair Value	Maturities in years		
				< 1	1 - 5	6 - 9
Money market/mutual funds	NA	18%	\$ 697,384	\$ 697,384	\$ -	\$ -
Certificates of deposit	FDIC	32%	1,272,477	434,811	837,666	-
U.S. agency obligations <sup>1</sup>	AAA	26%	1,029,115	188,727	513,182	327,206
Corporate medium term notes	A2 - A3	25%	974,229	209,211	765,018	-
<b>Total Portfolio</b>		100%	\$3,973,205	\$1,530,133	\$2,115,866	\$ 327,206

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

There is a risk that, in the event of a counterparty failure, the District’s investments may not be returned. As of June 30, 2018, the District had \$3,920,298 in their investment portfolio (including mutual/money market funds) held by the investment's counterparty. Of the total investment balance, \$500,000 was insured through the Securities Investor Protection Corporation (“SIPC”). The remaining \$3,420,298 was collateralized with pooled securities held by the financial institutions’ trust departments. These securities are held in the name of the financial institution and not that of the District.

*Violations of Investment Policy.* As of June 30, 2018, the District had \$327,206 of their investment portfolio outside of their authorized investment policy.

<sup>1</sup> Investment vehicles allowed by the investment policy have a maximum maturity of five years. As of June 30, 2018 the District had \$327,206 of their portfolio in excess of the five year maximum maturity through positions in U.S. Agency Obligations. The District will not purchase any investments outside the policy and the policy was updated.



VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2018

**NOTE 4 – ACCRUED RECEIVABLES**

Receivables at June 30, 2018, were as follows:

	General Fund	Pre-Need Fund	Total Governmental Funds
Taxes	\$ 5,879	\$ -	\$ 5,879
Rent	5,649	-	5,649
Contracts	-	29,366	29,366
<b>Total Accrued Receivables</b>	<b>\$ 11,528</b>	<b>\$ 29,366</b>	<b>\$ 40,894</b>

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018

	Balance Jul. 01, 2017	Restatement	Additions	Deletions	Balance Jun. 30, 2018
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 1,664,621	\$ 594,215	\$ 38,516	\$ -	\$ 2,297,352
<b>Capital Assets Being Depreciated</b>					
Structures and improvements	\$ 7,479,923	\$ (2,262,615)	\$ 77,032	\$ 157,317	\$ 5,137,023
Equipment	945,435	(664,274)	225,633	38,500	468,294
Total assets being depreciated	8,425,358	(2,926,889)	302,665	195,817	5,605,317
<b>Less Accumulated Depreciation</b>					
Structures and improvements	3,694,550	(1,825,257)	143,585	41,958	1,970,920
Equipment	-	243,612	14,256	16,581	241,287
<b>Accumulated depreciation</b>	<b>3,694,550</b>	<b>(1,581,645)</b>	<b>157,841</b>	<b>58,539</b>	<b>2,212,207</b>
<b>Total Capital Assets Being Being Depreciated, Net</b>	<b>\$ 4,730,808</b>	<b>\$ (1,345,244)</b>	<b>\$ 144,824</b>	<b>\$ 137,278</b>	<b>\$ 3,393,110</b>

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2018

**NOTE 6 – INTERFUND ACTIVITY**

**6 - A. Balances (Due From/Due To)**

Due to Other Funds	Due From Other Funds			Total
	Pre-Need Fund	Veteran's Wall Fund	Endowment Care Fund	
General Fund	\$ 5,883	\$ 300	\$ 11,548	\$ 17,731

The General Fund owes the Pre-Need, Veteran's Wall, and Endowment Care funds for June collections deposited into the revolving account for a total of \$17,731.

**NOTE 7 – ACCRUED PAYABLES**

Payables at June 30, 2018, were as follows:

	General Fund
Vendors	\$ 31,229
Compensated absences	14,000
<b>Total Accrued Payables</b>	<b>\$ 45,229</b>

**NOTE 8 – LONG-TERM LIABILITIES**

**8 - A. Long-Term Liabilities Summary**

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance Jul. 01, 2017	Additions	Balance Jun. 30, 2018
Net pension liability ("NPL")	\$ 419,000	\$ 74,000	\$ 493,000
Compensated absences	12,000	18,000	30,000
<b>Total Long-Term Liabilities</b>	<b>\$ 431,000</b>	<b>\$ 92,000</b>	<b>\$ 523,000</b>

**8 - B. Compensated Absences**

The long-term portion of unpaid employee vacation for the year ended June 30, 2018 was \$ 30,000. The General Fund pays compensated absence balances

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
JUNE 30, 2018

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**NOTE 9 – DEFINED BENEFIT PENSION**

**9 - A. General Information about the Pension Plan**

**Plan Description**

The California Public Employees’ Retirement System (“CalPERS” or the System) is a cost-sharing, multiple-employer defined benefit public pension fund. CalPERS provides retirement benefit services for state, school, and public employers. Governed by a 13-member Board of Administration consisting of member-elected, appointed, and ex officio members. Established by legislation in 1931, the System became operational in 1932 to provide retirement to state employees. In 1939, new legislation allowed public agency and classified school employees to join CalPERS for retirement benefits. The benefits for the public agencies are established by contract with the System, in accordance with the provisions of the Public Employees’ Retirement Law. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.

For accounting purposes only, Public Employees’ Retirement Fund (“PERF”) is comprised of and reported as three separate entities. PERF A is comprised of agent multiple-employer plans, which includes the State of California and most public agencies’ rate plans with more than 100 active members. PERF B is a cost-sharing multiple employer plan of school employers consisting of non-teaching and non-certified employees. PERF C is a cost-sharing multiple-employer plan of public agencies with generally less than 100 active members. The District’s NPL is a part of PERF B

**Benefits Provided**

The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. The District’s part of the Miscellaneous Plan risk pool, with a benefit formula of 2.0% @ 60 (more detailed calculation can be found in Appendix B in Section 2 of the Risk Pool Valuation Report. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for state Second Tier members) of credited service. All non-state Second Tier members are eligible to receive cost-of-living (COLA) adjustments up to a maximum of 2 percent compounded annually (up to 5 percent maximum as a contract option for retired members of local agencies). State Second Tier members are eligible for a COLA of 3 percent fixed compounded annually.

**Contributions**

The CalPERS Annual Valuation Report for Visalia Public Cemetery District as of June 30, 2015, reported 2017-18 required employer contributions to be 7.200% of creditable salaries for the “Employer Normal Cost Rate,” plus \$25,618 for the “Employer Payment of Unfunded Liability.” The report also reported an employee contribution rate of 7.00%. Contributions to the pension plan from the District was \$46,669 for the year ended June 30, 2018.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2018

**9 - B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the District reported a liability of \$493,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. The District's proportion was calculated as follows:

	<u>Jun. 30, 2017</u>	<u>Jun. 30, 2016</u>	<u>Difference</u>
Total Pension Liability Allocation Basis, Deferred			
Outflows/Inflows of Resources and Pension	0.0001534	0.0001497	0.0000037
Fiduciary Net Position Allocation Basis	0.0001627	0.0001589	0.0000038
Deferred Outflows/Inflows of Resources and Pension			
Expense Allocation Basis	0.0000000	0.0001107	-0.0001107

For the year ended June 30, 2018, the District recognized pension expense of \$115,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u>	<u>Deferred</u>	<u>Effect on</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Net Position</u>
	<u>Resources</u>	<u>Resources</u>	<u>Net Position</u>
Differences between expected and actual experience	\$ 1,000	\$ 12,000	\$ (11,000)
Changes of assumptions	103,000	8,000	95,000
Net difference between projected and actual earnings on pension	23,000	-	23,000
Changes in proportion and differences between District			
contributions and proportionate share of contributions	18,000	88,000	(70,000)
District contributions subsequent to the measurement date	47,000	-	47,000
<b>Total</b>	<b>\$ 192,000</b>	<b>\$ 108,000</b>	<b>\$ 84,000</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	20,000
2020	51,000
2021	27,000
2022	(14,000)
<b>Total</b>	<b>\$ 84,000</b>

# VISALIA PUBLIC CEMETERY DISTRICT

## NOTES TOT THE FINANCIAL STATEMENTS, Continued JUNE 30, 2018

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### 9 - C. Actuarial Assumptions and Discount Rate Information

#### Actuarial Assumptions

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate:	7.15%
Inflation rate	2.75%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS membership data for all funds Contract COLA up to 2.75% until PPPA floor on purchasing power applies, 2.75% thereafter
Post-Retirement Benefit Increase	

<sup>1</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2018

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 – 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

<sup>1</sup> An expected inflation rate of 2.5% used for this period.

<sup>2</sup> An expected inflation rate of 3.0% used for this period.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.**

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one percentage point higher (+100 basis points) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 830,000	\$ 493,000	\$ 213,000

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2018

**NOTE 10 – FUND BALANCE**

Fund balance components at June 30, 2018, were as follows:

	General Fund	Pre-Need Fund	Verteran's Wall Fund	Endowment Care Fund	Total Governmental Funds
Nonspendable					
Revolving cash	\$ 300	\$ -	\$ -	\$ -	\$ 300
Endowment care corpus	-	-	-	2,991,643	2,991,643
<b>Total Nonspendable</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>2,991,643</b>	<b>2,991,943</b>
Committed					
Expansion	633,295	-	-	-	633,295
Assigned					
Health account	82,300	-	-	-	82,300
Pre-need services	-	701,607	-	-	701,607
Veteran's Wall maintenance	-	-	25,446	-	25,446
Cemetery care	-	-	-	652,368	652,368
<b>Total Assigned</b>	<b>82,300</b>	<b>701,607</b>	<b>25,446</b>	<b>652,368</b>	<b>1,461,721</b>
Unassigned	250,571	-	-	-	250,571
<b>Total Fund Balances</b>	<b>\$ 966,466</b>	<b>\$ 701,607</b>	<b>\$ 25,446</b>	<b>\$ 3,644,011</b>	<b>\$ 5,337,530</b>

**NOTE 11 – PARTICIPATION IN A JOINT POWERS AUTHORITY**

The District is a member of a joint powers authorities (JPAs), Golden State Risk Management Authority. They provide liability and property, workers’ compensation and auto liability insurance. The relationship is such that the JPA is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$24,047.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued  
JUNE 30, 2018

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**NOTE 12 - RESTATEMENT**

Due to a change in accounting principle the following funds and net position has been restated as follows:

	<u>Statement of Net Position</u>
Net Position, June 30, 2017	\$ 10,238,250
Decrease In:	
Capital assets	(751,029)
<b>Restated Fund Balance/Net Position</b>	<b>\$ 9,487,221</b>



VISALIA PUBLIC CEMETERY DISTRICT

GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive / (Negative)
<b>REVENUE</b>				
Program Revenue:				
Charges for services	\$ 994,330	\$ 994,330	\$ 908,105	\$ (86,225)
Operating grants and contributions	100,000	100,000	99,995	(5)
Property taxes, general purpose	140,000	140,000	153,707	13,707
Revenue from use of money	100,000	100,000	40,637	(59,363)
Other revenues	12,800	12,800	-	(12,800)
<b>Total Revenue</b>	<b>1,347,130</b>	<b>1,347,130</b>	<b>1,202,444</b>	<b>(144,686)</b>
<b>EXPENDITURES</b>				
Salaries and wages	206,030	206,030	309,279	(103,249)
Benefits	220,941	220,941	215,602	5,339
Supplies and services	959,696	959,696	954,738	4,958
Capital Outlay	243,000	243,000	341,181	(98,181)
<b>Total Expenditures</b>	<b>1,629,667</b>	<b>1,629,667</b>	<b>1,820,800</b>	<b>(191,133)</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>(282,537)</b>	<b>(282,537)</b>	<b>(618,356)</b>	<b>(335,819)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers - internal activity	324,837	324,837	-	(324,837)
Proceeds	-	-	203,996	203,996
Special items, insurance recoveries	-	-	1,063,603	1,063,603
<b>Total Financing Sources/Uses</b>	<b>324,837</b>	<b>324,837</b>	<b>1,267,599</b>	<b>942,762</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>42,300</b>	<b>42,300</b>	<b>649,243</b>	<b>606,943</b>
<b>Fund Balance - Beginning</b>	<b>322,572</b>	<b>322,572</b>	<b>322,572</b>	
<b>Fund Balance - Ending</b>	<b>\$ 364,872</b>	<b>\$ 364,872</b>	<b>\$ 971,815</b>	<b>\$ 606,943</b>

VISALIA PUBLIC CEMETERY DISTRICT

PRE-NEED FUND – BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUE</b>				
Program Revenue:				
Charges for services	\$ 40,000	\$ 40,000	\$ 10,175	\$ (29,825)
Revenue from use of money	-	-	10,373	10,373
<b>Total Revenue</b>	40,000	40,000	20,548	(19,452)
<b>OTHER FINANCING SOURCES</b>				
Special items, insurance recoveries	-	-	41,779	41,779
<b>NET CHANGE IN FUND BALANCE</b>	40,000	40,000	62,327	22,327
<b>Fund Balance - Beginning</b>	639,280	639,280	639,280	
<b>Fund Balance - Ending</b>	\$ 679,280	\$ 679,280	\$ 701,607	\$ 22,327

VISALIA PUBLIC CEMETERY DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.01%	0.01%	0.01%	0.01%
District's proportionate share of the net pension liability (asset)	\$ 493,000	\$ 419,000	\$ 334,000	\$ 331,000
District's covered payroll	\$ 277,000	\$ 208,000	\$ 299,000	\$ 274,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	178%	201%	112%	121%
Plan fiduciary net position as a percentage of the total pension liability	75%	76%	80%	81%

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

VISALIA PUBLIC CEMETERY DISTRICT

SCHEDULE OF CONTRIBUTIONS

	<u>Jun 30, 2018</u>	<u>Jun 30, 2017</u>	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>
Contractually required contribution	\$ 47,000	\$ 41,000	\$ 38,000	\$ 17,000
Contributions in relation to the contractually required contribution	(47,000)	(41,000)	(38,000)	(17,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	273,000	277,000	208,000	299,000
Contributions as a percentage of covered payroll	17%	15%	18%	6%

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*

The Board of Trustees  
Visalia Public Cemetery District  
Visalia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Visalia Public Cemetery District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Visalia Public Cemetery District's basic financial statements, and have issued our report thereon dated December 26, 2018.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered Visalia Public Cemetery District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Visalia Public Cemetery District's internal control. Accordingly, we do not express an opinion on the effectiveness of Visalia Public Cemetery District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described on the next page, we identified deficiency in internal control that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described on the next page to be material weakness.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether Visalia Public Cemetery District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Material Weakness in Internal Control over Financial Reporting—Inadequate Chart of Accounts

### Criteria:

Pursuant to Government Code §53891, the provisions of the Accounting Standards and Procedures for Special Districts accounting system are prescribed for all districts engaged in activities other than recognized enterprise activities. This system is designed for use by all governmental fund types. The purpose of the accounts and procedures is to furnish a common accounting and reporting framework which is flexible enough to prepare financial statements in accordance with accounting principles general accepted in the United States of America ("GAAP") and prepare the Annual Report of Financial Transactions for Special Districts as required by the State Controller's Office.

### Context:

The chart of accounts maintained by the district in their accounting software is insufficient for a government accounting application. This is due to the fact that each fund is not a self-balancing set of accounts. Additionally, there needs to be a set of accounts which are full accrual, while the fund accounts are modified accrual, as delineated in the Accounting Standards and Procedures for Special Districts.

### Effect:

Without a robust enough chart of accounts, the District's financial transactions are not entirely accounted for in accordance with GAAP. This extends to the budget development and presentation as well.

### Cause:

Unknown

### Recommendation:

Management and the board should consider a formal evaluation of the current chart of accounts and develop a new set of accounts or use the accounts as prescribed in the Accounting Standards and Procedures for Special Districts. The entity might consider soliciting the assistance of an accountant to assist in the development / implementation of a new chart of accounts

### Views of Responsible Official(s) and Planned Corrective Actions:

The District engaged an accountant/QuickBooks expert assist us with the 1st step of the process by identifying the accounts by class. District will work on setting up a new chart of accounts as per the Special District Standards. This new chart will be set up as a new entity within Quick books and once that is done the District can move the amounts over to it and start using the new chart. This is a process and the goal is to have this ready to go at the beginning of the next fiscal. Budgeting would need to be done based on this new chart of accounts as well.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis Cooper & Associates C.P.A.s

December 26, 2018